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ECONOMY CONTINUES UP-AND-DOWN PATTERN

Trends in Pennsylvania economic activity have been quite volatile during the course of the past several months. At times, the economy's health has appeared intact. At other times, readings of the economy's strength have pointed in the opposite direction. Conditions in June appear to have fallen into the former category. Recent trends may be taken as a sign of a gradual slowdown in economic growth in the Commonwealth, mirroring trends nationwide.

It is safe to say that **the economy has essentially reached a plateau around which activity will fluctuate in a relatively narrow band. As a result, most measures of the economy's health will likewise fluctuate around current readings. In that some sectors, especially on the nonmanufacturing side, appear to be operating at record levels, many indicators should remain at or near record highs.**

The news appears to be much better on the jobs and employment fronts in June. After three consecutive months of decline, nonfarm jobs grew on a seasonally adjusted basis in June. Job levels remain just below the all-time high set in February of this year. On an unadjusted basis, establishment jobs totaled 5,136,000 in June, the highest reading for that month on record. Not surprisingly, **the service industries led the way in creating approximately 10,000 jobs. Construction also reversed its downtrend in recent months as jobs rose by a stronger than normal 12,000. Still, construction activity continues to show signs of abating** (tables). Compared to June 1988, 23 percent fewer housing units were authorized by permit this past June. So far this year, authorizations are down 17 percent compared to the first half of 1988. Awards are also down for nonresidential projects. Of the 14 metropolitan counties in Pennsylvania which have all permitting authorities surveyed each month (the others only have a portion surveyed and analyzing the data is ill-advised), the vast majority show a slowing pattern of housing unit authorizations. Although not as pronounced, weakness on the nonresidential side is also evident in several of these counties. (The county-level data will be reported on a quarterly basis, in conjunction with the "Around the State" section of the *Survey*.)

New Pennsylvania building permit authorizations (percent change from year ago)

	June	Pct. chg.	Year-to-date	Pct. chg.
Residential	4,588	-22.5	24,363	-17.0
Nonresidential	2,582	-13.9	11,279	- 2.6

Source: U.S. Dept. of Commerce, Bureau of the Census.

Most indicators suggest that retail activity continues to slide in Pennsylvania. The growth in sales and use tax collections by the Pennsylvania Department of Revenue has slowed, but only slightly. However, a relatively large decline has occurred in the growth in collections related to purchases of motor vehicles. While these collections grew at double-digit rates over the 1986-1987 period, growth has dropped off of late to the 7-8 percent range. Jobs in the retail sector declined on a seasonally adjusted basis for the third time in four months to stand at their lowest reading since last December. Retail sales continue to show only sluggish growth in the Commonwealth (table). Through the first half of this

New PA metropolitan county bldg. permit authorizations (percent change from year ago; only those counties shown are asked to report all permitted activity)

	1989: IIQ	Pct. chg.	Year-to-date	Pct. chg.
Residential units				
Allentown-Beth. MSA	753	-34.0	1,300	-37.2
Carbon	71	-22.8	121	-44.0
Lehigh	351	-35.2	659	-18.5
Northampton	331	-34.7	520	-50.3
Beaver County MSA	109	41.6	174	47.5
Philadelphia MSA	3,204	-27.4	5,932	-27.0
Bucks	773	-36.1	1,753	-19.3
Chester	788	-17.8	1,551	-18.3
Delaware	279	-23.6	515	-27.1
Montgomery	1,159	11.8	1,789	-16.8
Philadelphia	205	-75.7	324	-72.9
Pittsburgh MSA	1,487	-22.6	2,301	-21.5
Allegheny	933	-28.4	1,451	-27.0
Fayette	95	-26.9	138	-26.6
Washington	136	-13.4	220	- 9.1
Westmoreland	323	- 2.7	492	- 4.7
Adams County	208	-24.4	352	-23.5
Nonres. buildings				
Allentown-Beth. MSA	707	- 7.9	1,036	- 2.2
Carbon	41	2.5	58	-22.7
Lehigh	295	4.2	482	19.0
Northampton	371	-16.6	496	-14.3
Beaver County MSA	118	-13.9	151	-16.6
Philadelphia MSA	1,791	0.0	2,625	- 3.4
Bucks	631	-13.1	824	-23.5
Chester	356	- 0.8	624	8.9
Delaware	192	9.7	287	3.6
Montgomery	564	15.6	815	13.8
Philadelphia	48	11.6	75	2.7
Pittsburgh MSA	925	17.7	1,234	11.1
Allegheny	487	23.3	640	17.9
Fayette	95	15.9	144	11.6
Washington	163	- 9.9	203	-14.0
Westmoreland	180	40.6	247	21.7
Adams County	104	50.7	154	46.7

Source: U.S. Dept. of Commerce, Bureau of the Census.

year, sales totaled over $31 billion. This translates into a gain of 2 percent compared to the same period last year, not enough to keep up with price gains. Sales of durable goods remain especially sluggish.

Overall, the good news in the nonmanufacturing sector, at least in terms of jobs, appears to have outweighed the bad. The increase of 15,000 jobs, to 4,074,000 in June, was about twice as large as normal, resulting in a seasonally adjusted gain. This comes on the heels of two consecutive monthly declines.

Trends are not as encouraging in the factory sector. Although jobs rose by 7,000 in June, to 1,060,000, an increase of 9,000 was expected based upon an analysis of past seasonal trends. Furthermore, after averaging higher than year-ago readings since mid 1987, year-over-year growth in manufacturing jobs has once again turned negative in May and June. On the plus side, production, as measured by the Pennsylvania Manufacturing Activity Index, continues to fluctuate very narrowly around post-recession highs.

Export growth is often given credit for the robust pace of economic growth in the U.S. during 1987 and 1988. The increased competitiveness of domestically-produced goods in foreign markets pushed the nation's factory sector forward at a strong clip, pulling the rest of the economy with it. Only a minimal amount of data on export activity at the state level are available, and then only with a considerable lag. However, it does appear that Pennsylvania was situated nicely to take part in the export led growth during the mid 1980s.

Depending on the measure used, most of which revolve around export related shipments and employment, any

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	May	*June*	*June*	*May*	*June*	*June*	*May*	*June*	*June*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,116*	5,136	5,079	5,085*	5,091	5,034	111.4*	111.5	110.3
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,059*	4,074	4,014	4,033*	4,041	3,981	125.1*	125.4	123.5
Mining	28	28	30	28	27	29	57.9	57.1	60.2
Contract construction	240*	252	241	237*	240	230	129.0*	130.5	124.8
Transportation	151	149	148	149	148	147	92.5	91.9	91.5
Public Utilities	103	105	106	103	104	105	102.5	103.6	104.5
Wholesale trade	271	272	271	271	271	269	122.2	122.0	121.4
Retail trade	890*	891	890	888*	884	884	123.8*	123.3	123.2
Finance, insurance & real estate	297	300	296	297	297	293	136.5	136.6	134.5
Service & miscellaneous	1,373*	1,384	1,337	1,366*	1,375	1,328	158.4*	159.4	154.0
Federal government	139	140	141	138	139	140	107.9	108.1	109.5
State & local government	567	554	555	556*	556	556	95.5*	95.4	95.4
Manufacturing									
No. of wage and salary jobs (thous.)	1,053*	1,060	1,063	1,052*	1,050	1,053	78.4	78.2	78.5
Durable goods	601	605	608	598*	597	600	73.8*	73.8	74.1
Nondurable goods	453*	455	456	454	452	453	85.2	84.9	85.0
Ave. wkly. hrs. worked by prod. workers	40.5	40.8	41.2	40.7	40.6	41.0	103.0	102.8	103.7
Total wkly. person-hours worked (mils.)	29.4	29.8	30.0	29.4	29.3	29.6	76.7	76.4	77.1
Total wkly. payroll (mil. dols.)	309.3*	314.7	307.1	310.6*	311.0	303.4	138.2	138.4	135.0
Average hourly earnings (dollars)	10.53	10.58	10.23	10.55	10.61	10.26	180.4	181.4	175.4
Average weekly earnings (dollars)	426.47	431.66	421.48	429.04	430.80	420.61	185.5	186.2	181.8
Steel production (thous. tons)	1,120	1,003	1,131	n.a.	n.a.	n.a.	45.3	45.0	50.8
Industrial electric power sales (mil. kwh)	3,787	3,954	3,832	3,807	3,907	3,801	103.1	105.8	102.9
Mining									
Anthracite coal (thous. net tons)	276	253	282	277	261	286	56.6	53.5	58.5
Bituminous coal (thous. net tons)	5,739	5,143	6,078	5,102	5,012	5,850	72.3	71.1	82.9
Construction contracts awarded (mil. dols.)									
Total	921.5	1,100.4	1,187.2*	835.1	772.6	871.5*	259.6	240.1	270.9*
Residential building	411.8	408.6	422.1*	336.6	355.4	376.9*	239.2	252.6	267.8*
Nonresidential building	325.1	364.6	418.6*	319.4	242.9	287.7*	294.4	223.9	265.2*
Nonbuilding (utilities and public works)	184.6	327.3	365.0*	179.1	174.3	206.9*	247.1	240.4	285.4*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,598	5,709	5,487	5,641	5,675	5,451	117.4	118.1	113.4
Unemployed									
No. of persons (thous.)	256	272	327	272	240	295	67.8	59.8	73.6
Rate (percentage of labor force)	4.4	4.6	5.6						
Rate, seasonally adjusted				4.6	4.0	5.1			
Civilian labor force, no. of persons (thous.)	5,854	5,981	5,814	5,913	5,914	5,746	113.6	113.6	110.4
Initial claims for unemployment benefits	82,601	87,083	73,976	96,212	97,639	83,020	67.2	68.2	58.0

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1989		1988	*Month Ago*	*Year Ago*
	May	*June*	*June*		
U.S. city average	123.8	124.1	118.0	+0.2	+5.2
Philadelphia	127.9	128.8	121.9	+0.7	+5.7
Pittsburgh	n.a.	120.4	114.3	n.a.	+5.3

[1] Total includes workers on strike. * = figure revised † = figure for May 1988 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	May	Pct. chg.	Year-to-date	Pct. chg.
Total	6,911	2.5	31,323	2.0
Durables	2,646	– 1.6	11,443	– 2.6
Bldg. mat.		– 12.3		– 4.8
Auto dlrs.		– 5.3		– 8.1
Furniture		24.4		20.9
Other		9.2		6.6
Nondurables	4,265	5.3	19,880	4.8
Gen. mdse.		– 1.4		– 0.5
Food/grocery		6.8		4.1
Gas		9.7		3.8
Apparel		6.7		4.6
Eat/drink		– 1.6		8.1
Drugs		20.4		13.8
Other		11.2		5.2

Seas. adj. total: May 6,631
April 6,392

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Industry data are subject to relatively large sampling variability. As a result, only pct. changes are shown.

number of industries appear to have a big stake in international markets. Seven industries (table), mostly in durable goods manufacturing, stand out, regardless of the measure used. In these industries, export related shipments as a percentage of all shipments in 1986 were slightly higher in Pennsylvania than in the U.S. (18.5 percent vs. 17.9 percent). Much the same is true for export related employment (18.8 percent in the Commonwealth compared to 18.1 percent in the nation). Although no data are available as they pertain to export related jobs, more than 51 percent of all factory jobs in Pennsylvania are found in these "export sensitive" industries as of this year's second quarter. This is similar to the nation's 53 percent share. These pieces of circumstantial evidence suggest that, at the least, **the importance of the export sector to the Pennsylvania economy is on equal footing with its importance nationally.**

If Pennsylvania was well situated to take part in the export led resurgence of the manufacturing sector, then why has manufacturing growth in the State lagged growth nationwide in recent years? (As pointed out in past issues of the *PBS*, output and job growth in the Commonwealth during the mid and late 1980s has trailed that in the U.S.) Definitive conclusions cannot be drawn in the absence of a more detailed analysis. A preliminary analysis of this issue as it relates to Pennsylvania and some surrounding states by economists at Philadelphia's First Fidelity Bank also gives rise to this same question. They suggest that relatively high wages and slower growth in productivity are possible causes for the relatively poor showing. Whether or not these conclusions are valid for the Commonwealth are debatable, but nonetheless, they merit further consideration as possible explanations.

The relative importance of the export sector: some PA and U.S. comparisons

	1986 Export related shares (percent of tot.)				1989:IIQ job shares (percent of tot. mfg.)	
	Shipments		Employment			
	PA	U.S.	PA	U.S.	PA	U.S.
Chemicals	11.4	17.4	12.7	16.3	5.8	5.6
Prim. metals	22.5	23.3	22.8	23.1	8.8	4.0
Fab. metals	13.1	12.9	12.8	13.3	8.6	7.4
Nonelec. mach.	18.5	22.8	17.4	20.3	10.6	11.0
Elect. equip.	26.3	21.3	26.3	23.7	8.4	10.4
Trans. equip.	17.4	13.6	17.6	12.7	5.8	10.5
Instruments	19.4	16.5	18.6	17.8	3.4	4.0
Total for 7 industries	18.5	17.9	18.8	18.1	51.3	52.9

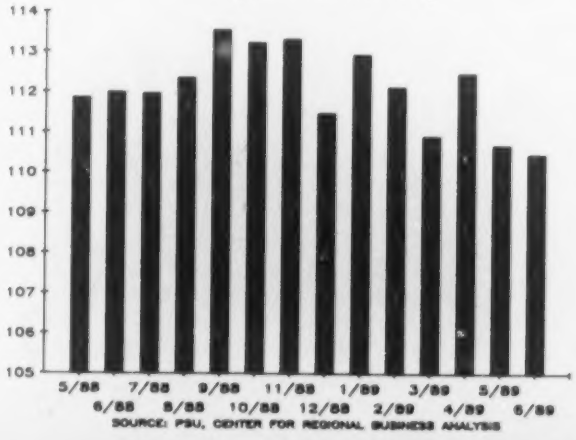
Source: U.S. Bureau of the Census; PA Dept. of Labor and Industry.

Resident employment in Pennsylvania grew by 30,000 during June, partially erasing two months of decline. Combined with the steady trend in the labor force, this helped push down the jobless rate to 4 percent, seasonally adjusted, its second lowest reading since the early 1970s. Clearly, **while some slowing has occurred in overall economic growth so far in 1989 in Pennsylvania, activity is still strong enough to employ and supply jobs for near record numbers of workers.**

Recent downward pressure on the Pennsylvania leading index of economic activity (chart) — it has declined two consecutive months and in five of the past seven — suggests that the State's economy is following the path to the so-called "soft landing." There is no formal definition of what constitutes such a scenario, and hence, when soft landings may have occurred in the past. However, economists at Pittsburgh's Mellon Bank and Columbia University's Center for International Business Cycle Research have concluded that a soft landing occurred as recently as the mid 1980s. (Mellon Bank pinpoints the 1985-1986 period while researchers at Columbia contend that the soft landing occurred over the 1984-1987 period.)

Last month's issue of the *Pennsylvania Business Survey* suggested that a soft landing, through its impacts on retailing and especially construction and manufacturing, could bring significant benefit to Pennsylvania as interest rates and inflationary pressures subside. If events unfold in a manner similar to the mid 1980s, these impacts may be felt. **During the 1987-1988 period, immediately following the most recent soft landing (at least according to the previously mentioned sources), economic growth was quite impressive in the Commonwealth.** Indeed, it can be argued that the State performed at least on par with the U.S. over

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



this period after several years of below average showings. An extended period of less than spectacular, though still positive, growth may not be an especially high price if the payoff is a period of sustained growth similar to that in 1987-1988.

— *William D. Anderson*

Around the State

Northeastern Quarter

Allentown-Bethlehem

In the May 1989 issue of the *Survey*, it was suggested that the performance of the Allentown-Bethlehem metro area economy as the typically strong warm weather months approached would tell a good deal about its underlying strength. With a full slate of second quarter data available, it appears that only an average performance was turned in. Trends in employment, factory jobs, the average workweek, industrial power sales, and construction activity point to a slowing pace of growth, though the dropoff is not especially worrisome.

Nonmanufacturing continues to shore up the economy. Job levels rose by a stronger-than-normal 7,100 in the second quarter to 206,700. This translates into another record as job levels have advanced nearly nonstop since the end of the recessions of the early 1980s. However, a slowing pattern is evident. Over the 1982-1988 period, nonfactory establishment job growth averaged 3.9 percent yearly. So far in 1989, it has come in at 2.8 percent.

Construction activity appears to have slowed considerably. Both residential and nonresidential construction contract awards have declined in value between the first halves of 1988 and 1989. In the three Pennsylvania counties of the metro area, one-third fewer housing units have been authorized so far this year compared to the first half of 1988. The number of nonresidential permits is off by 2 percent.

After holding steady for two years, factory job levels have once again started to trend downward this year, but only marginally. At 77,100 in the second quarter, manufacturing jobs are off by 600 from a year ago. The region's largest manufacturing industry, apparel products, has lost 400 jobs through the first half of the year. The second largest, primary and fabricated metals, has added 100 workers.

The region's rebound over the past several years has been reflected in improvement in employment and unemployment. In the second quarter, these improvements eased as seasonally adjusted employment dipped slightly. However, that decline is from a record, so it is not cause for much concern, yet. If long-term trends in any indicator suggest that the economy continues to expand at a rapid pace, it is trends in employment and unemployment. So far in 1989, 13,400 more residents are counted as employed compared to a year ago. If carried through the year, such a performance would be the most impressive on record. Second quarter employment, at 321,100, is the highest reading for the three months on record. At a seasonally adjusted 4 percent, second quarter's jobless rate is up slightly from the first quarter's 3.9 percent. However, a decline of 0.3 percentage point occurred compared to 1988.

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q '89	*2 Q '89*	*1 Q '89*	*2 Q '88*
Employment *(in thousands)*				
Employed, no. of residents	321.1	118	118	113
Unemployed, no. of residents	13.6	66	63	69
Rate, seasonally adjusted	4.0			
Civilian labor force, no. of residents	334.7	114	114	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	283.7	110	110	108
Nonmfg. only, no. of jobs	206.7	138	137	135
Mfg. only, no. of jobs	77.1	71	72	72
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	103	104	105
Industrial electric power sales				
Metropolitan area	***	110	116	112
Allentown	***	98	99	98
Bethlehem	***	118	128	121
Easton	***	115	119	116
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	168.4	- 12		
Nonresidential contracts only	98.8	- 14		

[1]Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre

Overall employment and unemployment trends through the first half of the year are quite positive in the Scranton-Wilkes-Barre region despite some softening in the second quarter. Resident employment rose by 2,900 in the April-June period to 345,900, a record for the period. However, this gain is a bit less than usual for this time of year, resulting in a seasonally adjusted decline. Partly as a result, the seasonally adjusted jobless rate rose from 5 percent in the first quarter to 5.3 percent in the second. On a year-to-date basis, employment is up by 14,800. This has helped absorb a net inflow into the labor force of 11,800 and reduced the number of unemployed by 3,000.

When it comes to the ability to generate new jobs, the region's manufacturers continue to tread water. The 72,100 factory jobs in the second quarter represent a slight gain of 100 over a year ago. Job levels have fluctuated, at or near all-time lows, in a very narrow band for about the past 30 months. Still, industrial power sales, a rough proxy for production trends, continue to move foward. Additionally, the 38.6 hour average factory workweek is relatively high in historical terms. So, a simple focus on job trends probably leads to an overly-pessimistic review of the factory sector's health in the region.

After rising nearly nonstop for five years, nonmanufacturing jobs in the region's establishments have showed signs of topping out so far this year. Still, the plateau is a lofty one as the 231,500 positions in the second quarter equal the all-time high after seasonal trends are taken into account. Indicators of construction activity are somewhat mixed. While the value of nonresidential contract awards is down by one-fourth so far this year, valuations are up on the residential side. However, a sample of permit issuing authorities suggests that the number of new residential units authorized by permit is off a bit from last year. Although definitive conclusions cannot be drawn based upon preliminary trends, it is safe to say that the growth in residential activity has slowed considerably over the 1988-1989 period.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 2 Q '89	Average monthly index seas. adj. (1977 = 100) 2 Q '89	1 Q '89	2 Q '88
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	345.9	123	124	118
Lackawanna County[2]	105.4	117	118	113
Luzerne County[3]	153.1	116	117	112
Unemployed, no. of residents				
Metropolitan area	18.7	62	59	67
Rate, seasonally adjusted	5.3			
Lackawanna County[2]	5.5	58	51	58
Luzerne County[3]	9.3	64	63	73
Civilian labor force, no. of residents				
Metropolitan area	364.6	117	117	113
Lackawanna County[2]	110.9	112	112	108
Luzerne County[3]	162.3	111	111	108
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	303.7	116	116	114
Nonmfg. only, no. of jobs	231.5	130	130	128
Mfg. only, no. of jobs	72.1	86	87	86
Hrs. worked by production workers in mfg., *ave. weekly*	38.6	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	120	113	112
Lackawanna County[2]	***	134	121	127
Luzerne County[3]	***	108	103	96
Hazleton	***	98	92	86
Wilkes-Barre	***	112	110	101

Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	185.6	+17
Nonresidential contracts only	69.4	-28

[1]Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton
[4]Excludes Wyoming County

The structural changes which have taken place in the overall economy in recent years are certainly evident in the region. The share of jobs accounted for by the service-producing industries is up between 1979 and 1988 in each of the four counties for which data are available: Columbia (50 percent in 1979 to 54 percent in 1988), Lackawanna (61 to 70 percent), Luzerne (57 to 71 percent), and Monroe (74 to 78 percent).

A review of recent trends suggests that great strides have been made in this section of northeastern Pennsylvania since the start of the recovery around 1982/1983. Except for those that pertain to the factory sector, most economic measures suggest that activity may have been at all-time highs as 1989 began. Hence, the slight slowdown evident so far this year does not appear to be especially threatening, though only time will tell how steep the dropoff will be.

Williamsport

After several years of above average growth, trends through the first half of this year suggest that conditions have cooled a bit in Lycoming County. Still, the level of absolute activity appears to be holding steady. The apparent slowdown is in the rate of growth and should not be interpreted as a sign of imminent recession. For instance, nonfarm job levels held steady in the second quarter after adjustment for normal seasonal ups and downs after rising by 700 in the first quarter. However, they held steady at an all-time high. The advance in factory jobs from recession-induced record lows in the early 1980s came to a halt at the beginning of 1988. In fact, job

Williamsport Area[1]

	Ave. mo. value 2 Q '89	Average monthly index seas. adj. (1977 = 100) 2 Q '89	1 Q '89	2 Q '88
Employment *(in thousands)*				
Employed, no. of residents	57.8	124	124	119
Unemployed, no. of residents	3.4	76	69	64
Rate, seasonally adjusted	5.7			
Civilian labor force, no. of residents	61.2	119	120	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.1	113	113	111
Nonmfg. only, no. of jobs	35.9	126	125	122
Mfg. only, no. of jobs	16.2	91	92	94
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	102	101	105
Industrial electric power sales	***	94	94	92

Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	15.3	+42
Nonresidential contracts only	6.9	-58

[1]Lycoming County

totals fell below year-ago readings in last year's second half and have remained so since. Second quarter's 16,200 jobs are off by 500 from a year ago and are also less than first quarter's reading after seasonal adjustment.

Nonmanufacturing continues to account for the bulk of all new jobs in the Williamsport metro area. Second quarter's 35,900 jobs, a new record, represent a gain of 1,300 over a year ago. Service jobs account for 400 of these new positions. The construction industry has also added workers. The value of residential construction contracts granted is up 42 percent so far this year and a sampling of permitting agencies suggests that the number of new housing units authorized has also increased. On the nonresidential side, however, contract values are down on a year-to-date basis.

A slight deterioration in growth is also evident in second quarter resident employment trends. It appears that the typical warm weather advance in employment was not as pronounced this year as the number of residents counted as employed rose by 900 to 57,800. Seasonal trends typically account for a gain of 1,400 in the second quarter. Still, this represents the highest April-June reading on record. The region's seasonally adjusted 5.7 percent jobless rate in the second quarter translates into a gain of 0.5 percentage point from the first quarter. Furthermore, the unemployment rate was up 0.7 point from a year ago.

Southwestern Quarter

Altoona

The possibility of a slowdown in economic activity in Blair County was hinted at in the May issue of the *PBS* in expectation of a general slowing in the nation's economy. While that slowdown has apparently arrived, it has subtracted little from the gains which have been racked up in recent years. Still, depending on the length and severity of the national slowdown, the next several months could be rather sluggish, at best. The first signs of a slowdown are evident in second quarter trends in the labor force and employment as each declined on a seasonally adjusted basis. Still, employment, at 57,000, was at its highest second quarter total on record

and the jobless rate actually inched downward, from 5.8 percent, seasonally adjusted, in the first quarter to 5.7 percent in the second. While these trends do not point to a booming economy, they also do not suggest that a recession in the near-term is likely. As a result, any further slowing this year is not expected to be especially painful.

Nonmanufacturing job levels continue to advance as another record has been set in the second quarter. But even here, there are signs of a minimal slowdown. All told, the 41,300 second quarter jobs in these establishments represent a gain of 800 from a year ago. So far this year, jobs are up 2 percent, down slightly from the 2.8 percent average for the 1983-1988 period. One-half of the net new jobs generated so far this year have come in retail trade. Construction trends appear mixed. Jobs are off slightly so far in 1989. The trend in contract values has been sluggish. However, a sample of permit issuing authorities suggests that activity is up on the residential side.

Factory jobs have been on a downtrend for 18 months. The month-to-month declines have not been especially pronounced, but they have added up. Compared to a year ago, second quarter job totals are down by 200. On a seasonally adjusted basis, they are off by 500 from the first three months of 1988. As a result, job levels stand just slightly above all-time lows. On the bright side, it is not out of the question that future declines in inflationary and interest rate pressures resulting from the U.S. economy's soft landing, should it occur, could give these industries a boost. However, the resulting increase in jobs is likely to be minimal, in part because of continued emphasis on cost-cutting and productivity improvements.

Johnstown

Although second quarter trends are somewhat suspect, there is no denying that the first half of 1989 was encouraging relative to previous readings of the Cambria/Somerset County region. Overall growth in the region was quite strong over the 1987-1988 period. While it can be argued that some slowing has occurred since then, it does not appear that the area has given back much, if any, of the gains recorded earlier. For instance, while seasonally adjusted nonfarm job levels did slip slightly in the April-June period, they have still averaged 1,500 higher so far this year compared to the first half of 1988.

Factory jobs continue to climb upward at a very slow pace. Second quarter's 13,800 jobs represent an increase of 200 compared to a year ago. However, jobs are down slightly on a seasonally adjusted basis from the first quarter. The region's largest goods-producing industry, primary metals has maintained 300 more jobs through this year's first six months compared to a year ago. Other measures of the manufacturing sector's health, such as the average workweek and sales of electricity to industrial customers, point to some weakness in the pace of activity.

Some second quarter deterioration is also evident in nonmanufacturing jobs but the year-over-year showing remains impressive. On a seasonally adjusted basis, job levels are down in the second quarter from the January-March period. However, the 66,900 positions in these establishments still represent a gain of 1,000 from the same period in 1988. In

Altoona Area[1]

	Ave. mo. value 2 Q '89	Average monthly index seas. adj. (1977 = 100) 2 Q '89	1 Q '89	2 Q '88
Employment *(in thousands)*				
Employed, no. of residents	57.0	110	111	106
Unemployed, no. of residents	3.4	89	90	105
Rate, seasonally adjusted	5.7			
Civilian labor force, no. of residents	60.5	109	109	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.2	102	102	100
Nonmfg. only, no. of jobs	41.3	108	108	106
Mfg. only, no. of jobs	10.9	82	83	84
Hrs. worked by production workers in mfg., *ave. weekly*	40.0	104	106	106
Industrial electric power sales	***	76	76	78
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	7.7	+ 1		
Nonresidential contracts only	18.8	- 38		

[1]Blair County

fact, the 1.9 percent gain in nonfactory jobs so far this year, represents a slight improvement over the 1.5 percent average from the 1983-1988 period. So far this year, job gains have been realized in the retail trade (+700), government (+300), services (+300), and transportation and public utilities (+100) industries compared to 1988.

The spring/summer season did not get off to an especially impressive start based on employment/unemployment trends. The gain in employment was not as large as normal, resulting in a seasonally adjusted decline. Also, the decline in joblessness was not as pronounced as it usually is in the second quarter. As a result, the seasonally adjusted jobless rate rose from 5.9 percent in the first quarter to 6.6 percent in the second. Still, the unemployment rate remains below readings from a year ago. Additionally, employment in the second quarter, at 90,700, was the highest reading for the period since 1980, despite the seasonally adjusted decline from the first quarter. Clearly, the slowdown in overall economic growth has done a minimal amount of damage to date.

Pittsburgh-Beaver Valley

Economic activity continues to move forward in the five counties making up the Pittsburgh-Beaver Valley metro area, but not at an especially impressive pace. Furthermore, there are signs of a potential downtrend in activity based on second quarter indicators which would fall in line with the scenario unfolding in the nation as a whole.

After adjusting for seasonality, employment fell for the third time in five quarters in the Pittsburgh region. Still, 36,800 more residents are counted as employed this year compared to last year's second quarter. The 937,700 employment total is the highest for the April-June time frame on record. Springtime gains in Beaver County employment have not been as pronounced as usual this year, resulting in a seasonally adjusted decline. On a brighter note, employment so far in 1989 is higher than year-ago readings for the first time since 1986. Second quarter's 55,600 employed residents represent a gain of 1,100 from 1988. As a result, the jobless rate dipped to 7 percent from 9.3 percent last year. Pittsburgh's 4.5 percent rate is 1.2 percentage points below 1988:IIQ.

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q '89	*2 Q '89*	*1 Q '89*	*2 Q '88*
Employment *(in thousands)*				
Employed, no. of residents	90.7	94	95	90
Unemployed, no. of residents	6.2	59	52	64
Rate, seasonally adjusted	6.6			
Civilian labor force, no. of residents	96.9	91	91	88
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	80.7	91	92	90
Nonmfg. only, no. of jobs	66.9	100	100	98
Mfg. only, no. of jobs	13.8	64	65	63
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	101	102	102
Industrial electric power sales	***	164	172	189
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	20.1	− 31		
Nonresidential contracts only	35.3	+260		

[1]Cambria and Somerset Counties

The region has lost a large number of residents who have moved elsewhere, many for economic reasons. In Beaver County, this out-migration amounted to 8.4 percent of its population between 1980 and 1987 (17,200 residents left the region). Allegheny County lost 7.1 percent of its residents (−102,300), Fayette County lost 4.8 percent (−7,600), Westmoreland County lost 4.5 percent (−17,700), and Washington County lost 3.9 percent (−8,400). Had they stayed, many would have been counted as unemployed or dropped out of the labor force.

Nearly all new jobs in the region continue to be generated in the nonmanufacturing sector, though growth is not especially impressive. The 759,700 nonfactory jobs in the Pittsburgh region in the second quarter represent a gain of 10,100 from a year ago. For the first half of 1989, nonmanufacturing jobs are up 1.3 percent, down a bit from the 1.9 percent average from earlier years. In Beaver County, jobs are off slightly from a year ago, from 40,100 to 39,800 this year. On a seasonally adjusted basis, jobs have declined in each of the past two quarters. Construction activity is mixed. Permit and construction contract data suggest that residential activity is down in the Pittsburgh portion but up in Beaver County. On the nonresidential side, the opposite appears to be the case.

A flat trend has been evident in manufacturing job levels since the beginning of 1987, bringing a stop to an extended period of decline. Unfortunately, job levels have bottomed out at or near all-time lows. The 126,700 factory positions in the Pittsburgh region are less than 60 percent of the total from the late 1970s. The 9,400 jobs in Beaver County are only 25 percent of the total from a decade ago. The strength in nonmanufacturing has barely offset the weakness in manufacturing, allowing total nonfarm job levels to expand slightly in this year's second quarter in the Pittsburgh region. In Beaver County, nonfarm jobs continue on the downward track evident since the early 1980s.

The region is in a sluggish growth pattern. The next several months will not result in any significant improvement as the nation's economy is expected to slow further or, at best, hold steady. However, should the soft landing of the economy be successful, this region may stand to benefit in the future to a great degree due to the impacts of declining interest rates and inflation on the durable goods manufacturing component.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q '89	*2 Q '89*	*1 Q '89*	*2 Q '88*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	937.7	108	109	104
Beaver County	55.6	66	66	64
Unemployed, no. of residents				
Pittsburgh[1]	43.8	71	68	88
Beaver County	4.2	66	67	87
Unemployment Rate, seas. adj.				
Pittsburgh[1]	4.6			
Beaver County	7.3			
Civilian labor force, no. of residents				
Pittsburgh[1]	981.6	106	106	103
Beaver County	59.8	66	66	66
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	886.6	101	101	100
Beaver County	49.2	64	65	65
Nonmfg. only, no. of jobs				
Pittsburgh[1]	759.7	116	116	115
Beaver County	39.8	104	105	104
Mfg. only, no. of jobs				
Pittsburgh[1]	126.7	57	58	57
Beaver County	9.4	25	25	25
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.9	n.a.	n.a.	n.a.
Beaver County	43.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	62	64	61
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	246.8	− 4		
Beaver County	11.8	+22		
Nonresidential contracts only				
Pittsburgh[1]	293.3	+ 3		
Beaver County	10.8	− 2		

[1]Allegheny, Fayette, Washington and Westmoreland Counties
[2]Beaver County

State College

Although second quarter's 56,700 nonfarm jobs represent a record high for Centre County after seasonal adjustment, some signs of slowing are evident. So far this year, job totals are up by 1,700 from the first half of 1988. If second half results do not improve on this performance, 1989 will result in the smallest advance in establishment jobs in three years. Manufacturing jobs continue to hold their own as they settled at 8,000 in the second quarter, up slightly from a year ago and from first quarter totals after seasonal adjustment. Factory jobs so far this year are up only 200 on an annual basis. This comes on the heels of an advance of 400 jobs in 1988. While the manufacturing job picture was not overly impressive in the second quarter, trends in electricity sales to industry and the average factory workweek suggest that the sector, though far from booming, remains healthy in the region.

In absolute terms, the majority of all new jobs continue to be generated in the nonmanufacturing sector. The 48,600 positions maintained in these establishments over the April-June period equal the record set in the first quarter after seasonal adjustment. The 3.1 percent advance in nonfactory jobs so far this year falls a bit short of the 3.7 percent average

State College Area[1]

	Ave. mo. value 2 Q '89	Average monthly index seas. adj. (1977 = 100) 2 Q '89	1 Q '89	2 Q '88
Employment *(in thousands)*				
Employed, no. of residents	61.3	147	149	140
Unemployed, no. of residents	2.7	104	106	116
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	64.1	145	146	139
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	56.7	140	139	136
Nonmfg. only, no. of jobs	48.6	142	142	139
Mfg. only, no. of jobs	8.0	124	122	121
Hrs. worked by production workers in mfg., *ave. weekly*	39.3	n.a.	n.a.	n.a.
Industrial electric power sales	***	139	129	125
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	37.8	+ 9		
Nonresidential contracts only	60.5	+ 76		

[1]Centre County

from the 1982-1988 period. Retail establishments, the region's largest private sector employer, have added 500 workers so far this year in Centre County. Construction trends suggest that activity is up for the year based on the value of contracts awarded. A sample of permit issuing authorities suggests that the number of new housing units authorized is also up on a year-to-date basis, with all of the gain occurring in the first quarter. Construction jobs are up by 100. Still, it is quite doubtful that the rapid pace of building activity during the mid 1980s will be repeated soon in the region.

The slowing pace of economic growth in the second quarter is especially evident in the resident employment and unemployment data. Both employment and the labor force fell in the April-June period when historical trends suggest that an increase should occur if only for seasonal reasons. As a result, the jobless rate held steady at a seasonally adjusted 4.4 percent. Still, recent trends in these measures of overall economic activity should not be looked at too negatively as year-over-year gains are still evident. In fact, in rising by 2,900 from a year ago to 61,300, resident employment recorded its highest second quarter reading on record. Hence, while a slowdown appears to be in the process of unfolding, the deterioration which has occurred so far has been relatively minor.

Northwestern Quarter

Erie

The general economic slowdown which is occurring throughout the nation and in Pennsylvania shows up in some second quarter trends in Erie County. The next several months are likely to bring further reduction in the overall rate of growth. Although it cannot be ruled out, a recession does not appear in the offing. In fact, with its heavy durable goods base (21 percent of all jobs in the region are found in these industries compared to 12 percent Statewide), the region may benefit greatly in the event of further declines in interest rates and inflation, a scenario expected by a sizable number of economists and analysts.

For the second quarter, the number of residents counted as employed fell from first quarter readings on a seasonally adjusted basis. In essence, the rise of 700 in the unadjusted data, to 126,700, was not as pronounced as is usually the case. Still, job levels are up by 6,500 for the first half of the year compared to the same period in 1988. This suggests that, despite some possible setbacks in the April-June period, longer-run trends remain positive. Erie County's 4.9 percent jobless rate in the second quarter was the lowest for the period since 1974. However, over those 15 years, employment rose 10 percent, less than one-third of the advance which occurred nationwide.

Trends are a bit more encouraging on the nonmanufacturing side where job gains registered so far this year look relatively strong compared to recent years. The 80,800 nonfactory jobs in the second quarter are a record high. So far this year, jobs are up 3.1 percent compared to an average gain of 2.1 percent over the previous six years. Despite a solid gain of nearly 50 percent in the value of residential construction contract awards, a sample of authorities issuing permits for new housing units suggests that activity is only holding steady at year-ago levels. Nonresidential contract values are down through the first half of the year. Building related jobs are up only slightly from 1988.

Manufacturing jobs started a slow upward climb early in 1987. If second quarter trends are an indication, this advance has come to a halt as seasonally adjusted job levels fell from the previous quarter. However, gains in prior months still leave job levels slightly higher than a year ago. The sector as a whole appears to be considerably healthier than only a few years ago.

Sharon

After rising nonstop since the beginning of 1987, manufacturing jobs dipped slightly in this year's second quarter on a seasonally adjusted basis in Mercer County. However, at 11,700 the unadjusted total was the highest reading for the second quarter since 1982. Declines in electricity sales to industry, a rough measure of production trends, and a drop of 1.1 hours from a year ago in the average workweek to 40.8 hours also point to some, though not a great deal of, softening in the factory sector. All of the job gain so far this year has come in the durable goods industries where payrolls are

Erie Area[1]

	Ave. mo. value 2 Q '89	Average monthly index seas. adj. (1977 = 100) 2 Q '89	1 Q '89	2 Q '88
Employment *(in thousands)*				
Employed, no. of residents	126.7	114	115	109
Unemployed, no. of residents	6.6	70	68	85
Rate, seasonally adjusted	4.8			
Civilian labor force, no. of residents	133.2	111	112	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	116.6	105	106	103
Nonmfg. only, no. of jobs	80.8	119	119	116
Mfg. only, no. of jobs	35.7	83	84	82
Hrs. worked by production workers in mfg., *ave. weekly*	42.4	104	103	104
Industrial electric power sales	***	117	114	116
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	43.6	+49		
Nonresidential contracts only	28.2	−11		

[1]Erie County

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q '89	*2 Q '89*	*1 Q '89*	*2 Q '88*
Employment *(in thousands)*				
Employed, no. of residents	50.8	106	105	99
Unemployed, no. of residents	2.2	59	47	62
Rate, seasonally adjusted	4.3			
Civilian labor force, no. of residents	52.9	102	100	96
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	44.4	97	97	93
Nonmfg. only, no. of jobs	32.7	112	111	108
Mfg. only, no. of jobs	11.7	71	72	67
Hrs. worked by production workers in mfg., *ave. weekly*	40.8	n.a.	n.a.	n.a.
Industrial electric power sales	***	116	120	113
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	9.0		+ 1	
Nonresidential contracts only	7.1		+51	

[1]Mercer County

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q '89	*2 Q '89*	*1 Q '89*	*2 Q '88*
Employment *(in thousands)*				
Employed, no. of residents	317.9	127	127	121
Unemployed, no. of residents	11.3	74	68	78
Rate, seasonally adjusted	3.5			
Civilian labor force, no. of residents	329.3	124	124	119
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	306.2	124	123	121
Nonmfg. only, no. of jobs	254.5	132	131	129
Mfg. only, no. of jobs	51.4	95	96	95
Hrs. worked by production workers in mfg., *ave. weekly*	39.7	n.a.	n.a.	n.a.
Industrial electric power sales	***	90	90	94
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	155.0		+21	
Nonresidential contracts only	69.3		-45	

[1]Cumberland, Dauphin, Lebanon, and Perry Counties

up by 900 workers compared to last year's first half.

Nonmanufacturing jobs continue to climb. The second quarter was expected to result in 1,100 more nonfactory jobs, compared to the first quarter, solely for seasonal reasons. However, 1,400 jobs have been added, resulting in a seasonally adjusted gain. The 32,700 positions in these establishments translate into the highest reading on record. Relative to a year ago, nonmanufacturing jobs are up by 1,100. Construction jobs are up by 200 so far this year and trends in contract values along with permit authorizations suggest that activity is at least holding its own, though the permit data are based only on a sample and may not reflect overall trends.

Whereas Pennsylvania as a whole saw employment decline on a seasonally adjusted basis between the first and second quarters, it picked up a bit in Mercer County. Indeed, the unadjusted gain of 1,600 to 50,800 is approximately 200 more than expected. This represents the highest second quarter total since 1981. Through the first half of the year, employment is up by 3,500. This has helped absorb an inflow into the labor force totaling 2,900 while, at the same time, it has reduced the number of unemployed by 500. Overall trends suggest that while a downtrend is not evident as yet in Mercer County, one cannot be ruled out, especially if growth continues at a weak pace nationwide.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

The general economic slowdown now in progress nationwide has had an impact in the four counties making up the Harrisburg-Lebanon-Carlisle metro area. The result has been a reduction in overall growth as opposed to a decline in the absolute level of economic activity. As with the State as a whole, it may be argued that the region has essentially reached a plateau. Fortunately, this plateau is a rather lofty one, allowing for relatively high levels of jobs and employment.

The seasonal upturn in second quarter resident employment fell barely short of expectations. All told, 317,900 residents are counted as employed, up 4,500 from the first three months of the year. A gain of 4,600 was expected, so employment fell marginally short of first quarter's record high reading after seasonal adjustment. Still, the most recent reading is the highest for the second quarter on record. Despite a jump from the first quarter on a seasonally adjusted basis, the April-June jobless rate averaged 3.4 percent, unadjusted, down 0.4 percentage point from a year ago.

Despite a questionable contribution from construction, the nonmanufacturing sector continues to turn in a strong performance. The value of nonresidential construction contracts are down by nearly one-half on a year-to-date basis. While residential contracts are valued one-fifth higher than last year, a sample of authorities which issue permits for new housing units suggests that activity is off so far this year. Job levels are down by 100 from a year ago. In nonmanufacturing as a whole, job levels moved forward to a new record in the second quarter, 254,500. To date in 1989, nonfactory jobs are up 2.3 percent. Statewide, these establishments are home to 1.9 percent more workers than a year ago.

Trends in the factory sector remain far from impressive, though over the long-run this region has fared better than most

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q '89	*2 Q '89*	*1 Q '89*	*2 Q '88*
Employment *(in thousands)*				
Employed, no. of residents	219.7	140	140	133
Unemployed, no. of residents	6.7	77	80	89
Rate, seasonally adjusted	2.9			
Civilian labor force, no. of residents	226.4	137	137	131
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	189.8	133	133	130
Nonmfg. only, no. of jobs	129.9	152	152	147
Mfg. only, no. of jobs	59.5	104	106	106
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	102	102	102
Industrial electric power sales	***	146	143	140
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	146.0		+12	
Nonresidential contracts only	59.9		+24	

[1]Lancaster County

in terms of job trends in these industries. The 51,400 manufacturing jobs in the second quarter are down 200 from a year ago. Compared to first quarter totals, jobs are also down on a seasonally adjusted basis. Job levels in the largest manufacturing industry, food products, are up by 400 so far this year. Another indicator of activity in this sector, electricity sales to industry, has been on an erratic, but slight, decline since the beginning of 1988.

The ability of the region's nonmanufacturers to continue generating jobs has offset the weakness in the factory sector, allowing total nonfarm jobs to move forward. Since the general economic recovery began, roughly in 1982, nonagricultural job growth has averaged 2.6 percent in the region. Statewide, the average gain has been 1.6 percent.

Lancaster

As was forecast in the May issue of the *Pennsylvania Business Survey*, the economy of Lancaster County has moved sideways during the past several months after several years of rapid expansion. In that it comes while the economy is operating at a record level of activity, such a trend should not be looked at too negatively, especially since recent events are not being interpreted as the first signs of a recession. Instead, it is expected that most indicators will continue to fluctuate around current levels.

After several years of slight upward pressure on job levels, the number of manufacturing positions in the region has declined on a seasonally adjusted basis in the first half of 1989. Second quarter's 59,500 factory jobs represent a decline of 800 from 1988:IIQ. On a year-to-date basis, both durable and nodurable goods industries have reduced payrolls so far this year, by 300 and 400 workers, respectively.

Although growth did slow a bit, nonmanufacturing job levels still moved ahead in the second quarter. The seasonally adjusted gain from first quarter readings was the smallest since the first three months of 1985. Still, the 129,900 positions in these establishments represent a gain of 4,900 from the same period in 1988. So far this year, job gains have been spread across most industries. Only the mining and government categories have held job levels steady. Elsewhere, transportation and public utilities and wholesale trade each are home to 300 more jobs, the finance industry has generated 400 more jobs, retail trade employs 1,500 more workers than a year ago, and 2,300 more positions are housed in service establishments. Job growth totaled 600 positions in construction between the first halves of 1988 and 1989. Trends in contract values and in permit authorizations also point to further growth in building related activity.

After several years of practically nonstop growth, trends in the resident labor force data turned slightly negative. Both the labor force and employment turned down in the second quarter on a seasonally adjusted basis, though the drop barely put a dent in the improvements realized previously. Furthermore, long-term trends still remain encouraging. Employment and the labor force have advanced considerably so far this year compared to year-ago readings, while joblessness has declined. For the first time since the 1973/1974 period, the unemployment rate fell below the 3 percent, seasonally adjusted, reading in the second quarter as it settled at 2.9 percent.

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q '89	*2 Q '89*	*1 Q '89*	*2 Q '88*
Employment *(in thousands)*				
Employed, no. of residents	2,357.3	125	127	122
Unemployed, no. of residents	89.0	50	51	56
Rate, seasonally adjusted	3.6			
Civilian labor force, no. of residents	2,446.3	119	120	117
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,192.4	120	120	119
Nonmfg. only, no. of jobs	1,826.3	132	132	130
Mfg. only, no. of jobs	364.5	82	82	83
Hrs. worked by production workers in mfg., *ave. weekly*	40.4	102	102	102
Industrial electric power sales	***	115	113	109
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	946.6	+ 1		
Nonresidential contracts only	1,039.6	+ 15		

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Philadelphia

There are clear signs of a slowdown in recent resident employment trends in the eight counties making up the Philadelphia metropolitan area. Between the second quarter of 1983 and the first quarter of 1988, employment rose on a seasonally adjusted basis in every quarter but two. Since then, it has declined in three of the five quarters. However, the 2,357,300 residents officially counted as employed during the most recent April-June period translate into a gain of 58,500 from 1988:IIQ. At the same time, the region remains home to one of the lowest jobless rates across the State's 15 metro areas, a seasonally adjusted 3.6 percent in the second quarter.

Since much of the region's growth is believed to be occurring in the suburbs, it is a bit surprising that employment growth so far this year is distributed almost identically across the Pennsylvania portion of the region. Bucks and Montgomery Counties have realized 3.7 percent gains in employment on a year-to-date basis. Chester, Delaware, and Philadelphia Counties are home to 3.6 percent gains.

As is the case with resident employment gains, nonfarm job growth, at 1 percent so far this year, falls below the 1.6 percent gain in Pennsylvania. Additionally, the gains recorded so far this year have been less than one-half the average advance for the 1982-1988 period. Despite this apparent weakness, establishment jobs have increased by 17,300 between the second quarters of 1988 and 1989 to 2,192,400.

The region's factories continue to contribute little, if any, to job growth. While there are periodic signals suggesting that job levels have bottomed out, the long-run trend continues to point down. More than 5,000 jobs were lost in these industries between the second quarter of last year and the same period in 1989. Jobs totaled 364,500 in the most recent quarter. Three of the four largest manufacturing industries in the region have lost jobs so far this year: printing and publishing (−300), nonelectrical machinery (−500), and electronic equipment (−1,000). Only the chemicals industry, with 700 more workers, has added jobs. On a brighter note, electricity sales to industry and the average factory workweek

both remain at or near all-time highs which suggests that production remains fairly healthy.

The job picture in the nonmanufacturing sector is more encouraging, though some slowing is also evident. A gain of 21,200 jobs from a year ago pushed the number of nonfactory positions to 1,826,300, a new high for the April-June period. Gains recorded so far this year have been the smallest since the recovery began in the early 1980s. Although job levels are up, other indicators point to a sluggish performance on the part of construction, especially on the residential side where contract values are essentially unchanged from a year ago and the number of new housing permits is down by more than one-fourth on a year-to-date basis in the Pennsylvania portion of the region. Permit declines range from 17 percent in Montgomery County to 73 percent in Philadelphia County. Although contract values on the nonresidential side are up 15 percent this year, 3.4 percent fewer projects have been authorized by permit.

Nearly all indicators point to some slowing in the growth in overall economic activity in the region after several years of relatively solid gains. As was pointed out three months ago, the region is being outperformed by the State as a whole according to most measures of activity. It is not likely that the situation will improve much in the near-term as growth is expected to remain sub-par throughout the nation.

Reading

Economic activity continues to move ahead in Berks County according to trends through the second quarter. While the nationwide slowdown appears to have made an appearance in most other regions of the Commonwealth, there are few signs of appreciable slowing in the Reading metro area. Such a scenario, however, cannot be ruled out in the future.

Recent trends in factory jobs are impressive relative to the rest of Pennsylvania. Throughout the State, manufacturing jobs have dropped off a bit in recent months. In Berks County, job totals have advanced on a seasonally adjusted basis in each of the past three quarters. Second quarter's 48,700 manufacturing jobs represent a gain of 1,100 over a year ago. Sales of electricity to industrial customers continue to move upward, suggesting that production is on the rise. The average factory workweek, in declining slightly during the second quarter, stands just below all-time highs. While it is quite doubtful that the region will ever regain a significant share of the factory jobs lost as a result of the massive restructuring which has occurred in the economy over the past several years, it is quite important that a healthy manufacturing base be maintained. The factory sector accounts for 32 percent of all jobs in the region compared to 21 percent Statewide.

The moderate job gains being posted in manufacturing complement nicely continued strength on the part of nonmanufacturing. During the April-June period, job levels rose by 3,200 from the first quarter when a gain of only 2,300 was expected, pushing job totals to another seasonally adjusted record high. Jobs in these industries have been on the rise for at least the past quarter century. Even several bouts with recession barely put a dent in the climb in job levels. For the second quarter, the 105,600 jobs represent a gain of 3,500 from a year ago. Most indicators suggest that construction activity is holding its own.

Second quarter did bring some signs of a slowdown in the pace of resident employment growth in the region. All told, employment is up 1,600 from the first three months of the year, a gain in line with seasonal expectations. The 172,200 residents counted as employed is unchanged from first quarter readings after normal seasonal ups and downs are discounted. So far this year, employment is up by 9,600. This has helped absorb a net inflow into the labor force of 8,400 while reducing the number of unemployed by 1,200. These trends have resulted in continued downward pressure on the unemployment rate. Second quarter's 4 percent reading is among the lowest in the Commonwealth and is the lowest for the second quarter in 15 years.

York

The springtime advance in resident employment is not as strong this year in Adams and York Counties, resulting in a seasonally adjusted decline in the number of bi-county residents counted as employed. Still, there is not much cause for concern as employment fell only slightly from first quarter readings on a seasonally adjusted basis to its second highest reading on record. Furthermore, the 215,700 residents listed

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'89	*2 Q.'89*	*1 Q.'89*	*2 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	172.2	128	128	121
Unemployed, no. of residents	7.2	74	75	84
Rate, seasonally adjusted	3.6			
Civilian labor force, no. of residents	179.4	124	124	119
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	154.3	117	116	114
Nonmfg. only, no. of jobs	105.6	130	129	126
Mfg. only, no. of jobs	48.7	96	96	94
Hrs. worked by production workers in mfg., *ave. weekly*	40.6	104	105	105
Industrial electric power sales	***	155	146	138
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	75.4	+ 7		
Nonresidential contracts only	89.7	+124		

[1]Berks County

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'89	*2 Q.'89*	*1 Q.'89*	*2 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	215.7	140	142	134
Unemployed, no. of residents	8.6	82	81	86
Rate, seasonally adjusted	3.7			
Civilian labor force, no. of residents	224.3	137	138	131
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	179.5	126	126	124
Nonmfg. only, no. of jobs	117.8	142	142	138
Mfg. only, no. of jobs	61.7	104	104	103
Hrs. worked by production workers in mfg., *ave. weekly*	41.3	101	102	104
Industrial electric power sales	***	115	127	122
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	119.4	+ 9		
Nonresidential contracts only	37.3	+13		

[1]Adams and York Counties

as employed is the highest reading for the April-June period on record. The area's jobless rate remains quite low, both in historical terms and relative to other regions of Pennsylvania, at a seasonally adjusted 3.7 percent.

There are also signs of slowing in the pace of nonmanufacturing growth in the second quarter. The 117,800 positions in these establishments over the April-June period represent a gain of 1,900 from the previous quarter, about 300 less than expected based on historical seasonal patterns. Still, year-over-year gains remain quite impressive. Some of the slowdown in nonmanufacturing activity may be the result of a slowing pace of construction activity. The value of contract awards is up only marginally so far this year. While building related jobs remain on an upward track, so far they are growing at less than one-half the pace from the previous six years. Housing permit authorizations in Adams County are off by nearly one-fourth so far in 1989. A sample of permit issuing authorities in York County also shows some decline in activity.

Factory jobs are down slightly from first quarter on a seasonally adjusted basis. However, a slow but steady upward trend over the past several months leaves job levels, at 61,700, up from a year ago by 700 positions. Trends in the average workweek and in electricity sales to industry also point to some slowing in factory activity. So far this year, durable goods industries have accounted for 700 new jobs while those on the nondurables side have chipped in with 200 new positions.

Taken together, trends in the several indicators used to gauge the economy's health point to some slowing in the overall pace of economic growth in the region. But nonetheless, growth remains positive! It is quite doubtful that growth in 1989 will come close to matching the gains posted during the robust 1987-1988 period. Still, in that the recovery is now several years old, such a performance is not too discouraging.

— *William D. Anderson*

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